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April 8, 1986

Mr. Richard Kerr  
Deputy Director for Administration  
Central Intelligence Agency  
Washington, D.C. 20505

Dear Dick:

I thought it might help the Agency's deliberations regarding acceptance of Northern Telecom Inc. ("NTI") as a prospective supplier of telecommunications equipment to the intelligence community if I described the nature of the corporation and some of its business activities. NTI is headquartered in Nashville, Tennessee. It is a wholly-owned subsidiary of Northern Telecom Ltd., a Canadian corporation whose ownership structure is in turn as follows: 52 percent of the shares are owned by a large Canadian holding company, Bell Canada Enterprises, Inc., and the remaining shares are traded on public exchanges in Canada, the U.S. and Europe. NTI was incorporated in the State of Delaware on September 16, 1971.

NTI is by no means a sales and service subsidiary. On the contrary, it is the second largest manufacturer of telecommunications equipment in the United States, and exports approximately \$100 million worth of its U.S. output per year. The company is currently the largest supplier of both central office and PBX switching systems to the U.S. market, and the U.S. value added in these systems is around 85 percent (which is probably about as high as the local content for any other U.S. telecommunications manufacturer). NTI has nearly \$2 billion in domestic investment, and employs approximately 22,000 people in 15 U.S. manufacturing facilities, 15 U.S. R&D centers and more than 100 U.S. sales, service and support offices.

As you are probably aware, NTI has installed telecommunications equipment at numerous military facilities,

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as well as an SL-100 digital switch in the White House for use by the President and his staff in communicating with virtually every agency in the U.S. Government. NTI is willing to discuss any specific security concerns which may be harbored by the Agency, and to consider ways of implementing safeguards designed to address foreign ownership problems. In this regard, I would note that NTI has already offered to establish a separate, secure facility staffed entirely by U.S. citizens, and is fully prepared to take other reasonable steps to address Agency concerns.

Based on my own experience and current involvement in the work of the Defense Science Board regarding the question of DOD's foreign source dependency for electronic components, I know that the issue of foreign ownership and national security is enormously complicated -- not necessarily in a legal sense, but in a practical context. And it is exactly in this latter regard that I believe NTI is ready, willing and able effectively to present itself as a qualified supplier of telecommunications equipment to the intelligence community. Among other benefits to the Agency and the community would be increased competition, wider access to the latest technology and, quite possibly, lower cost (a factor which should rank high on everyone's priority list these days).

I would be pleased to discuss this matter further and to provide any additional information you believe might be useful.

Sincerely,

  
Lionel H. Olmer

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